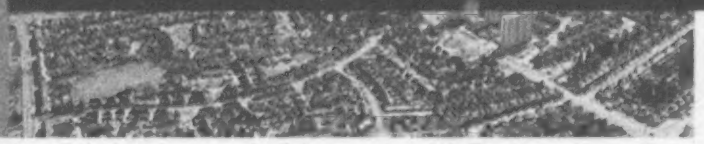
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Hamilton and Brantford CMAs



Canada Mortgage and Housing Corporation

Date Released: Spring 2009

New Home Market

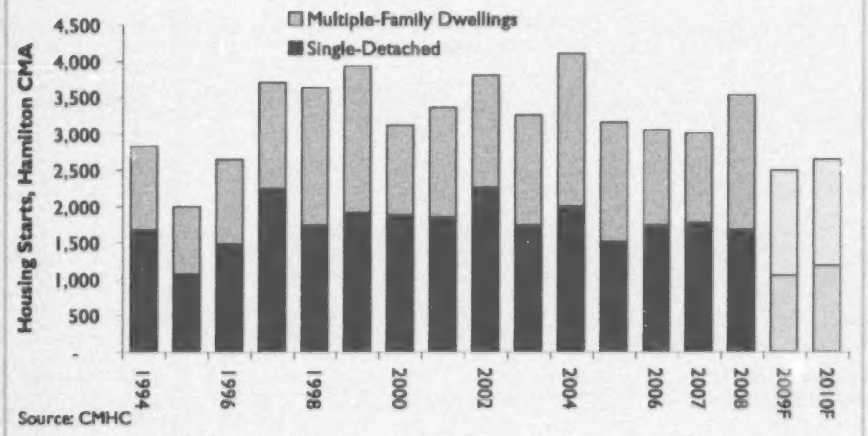
New Home Market Adjusting

New home construction activity in Hamilton this year will decline by 29 per cent to 2,500 starts before trending back up six per cent in 2010. A slowing economy and more choice in the resale market will dampen construction. Increases in residential construction in 2010 will also be tempered by the transition to the new sales tax on housing.

Although starts are expected to be down for all home types, single-detached starts especially will put a damper on total starts. Less than half of the new home starts through to 2010 will be single-detached homes. Townhouse and condominium apartment starts will continue trending

Figure 1

Hamilton's Housing Starts



Source: CMHC

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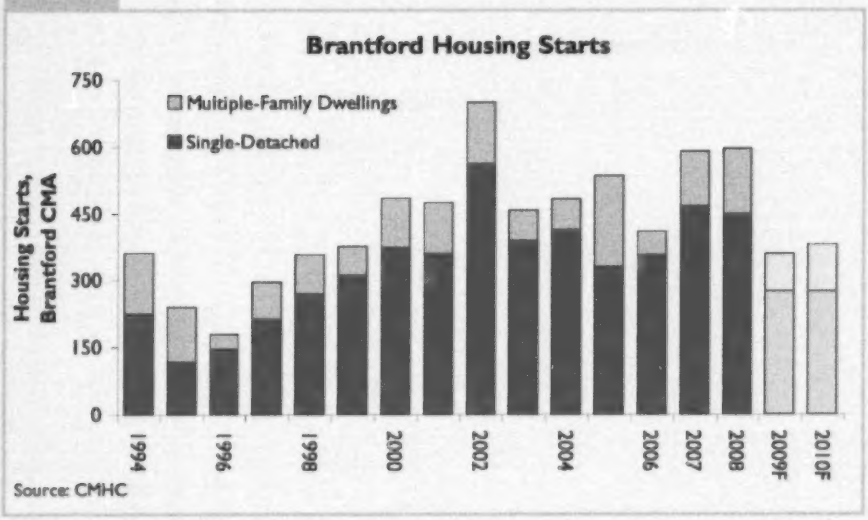
Figure 2



upward, especially since the condominium lifestyle is becoming more popular among all household types. A recently constructed, high-end condominium apartment building in Hamilton Mountain is one step toward fulfilling the lifestyle demands of some households, including the downsizing baby boomer generation. By sub-market, approximately half of the starts will be in Burlington, with the remainder sparsely distributed across the rest of the CMA.

Fewer starts in the new home market indicate that builders and buyers alike are hesitant to make a move in an uncertain economy. Builders continue to focus on completing and selling current inventory while holding off on future projects. Starts for the year to-date are down 31 per cent while projects under construction are up by the same proportion, suggesting a shift in resources from new starts to ongoing projects. More than a third of the projects under construction are of condominium townhouses and apartments in Burlington

In Brantford, single-detached home prices fell three and a half per cent to $282,000 for the first quarter of 2009. Year to date, total starts are on par with last year's level, and single-detached home starts have nearly tripled in the City of Brantford. However, this trend will likely taper off throughout this year due to the high number of unsold new homes. There were 116 unsold units at the end of the first quarter of 2009, all of which were single-detached homes and townhouses.

Considering the current economic conditions, some buyers in Brantford may be more inclined to look for a home in the relatively less expensive resale market. An increase in the supply of unabsorbed homes will depress the average price this year and builders may put off starting new projects until the completed units are sold. 360 new home starts are forecast for 2009 and 380 starts for 2010.

The New Housing Price Index – an index which captures the changes over time in builders' selling prices of new homes of constant quality – started to plateau last year. More recently, home prices have started to fall in several sub-markets across the CMA, though the rate of decrease has been less than in the resale market. Prices continued to rise in the more expensive home markets of Ancaster and Burlington, where half of the homes were absorbed. This indicates that there are still buyers who are looking for upscale homes, while taking advantage of the low mortgage rate. Should economic conditions stabilize, buying in expensive submarkets could be brought forward in advance of the introduction of the harmonized sales tax.

Resale Market

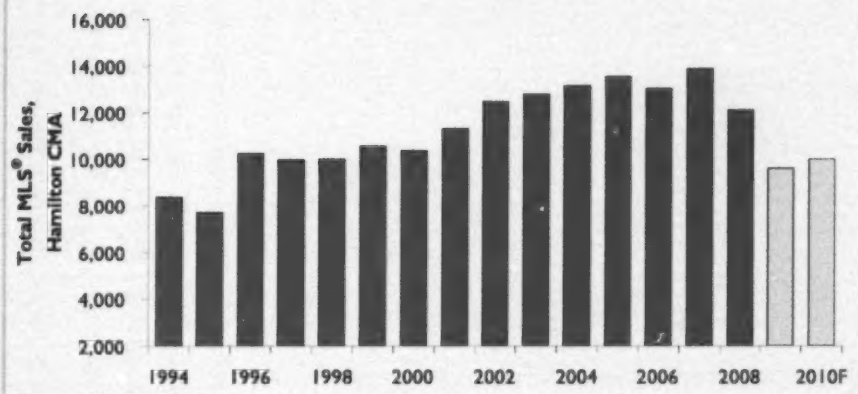
Contraction in Resale Market

To date, MLS® sales in the Hamilton CMA are down by 23 per cent and are expected to fall 21 per cent in 2009 to 9,600 sales before rising in 2010. In Brantford, MLS® sales will fall by 29 per cent this year to 1,500 sales and rise five per cent next year to 1,575 sales. A slowing job market and more cautious consumer spending will dampen existing home demand. Gradual economic recovery will improve housing conditions in 2010.

More first time buyers in the market means that many of the homes being purchased will be less expensive single-detached homes and other entry-level home types such as townhouses and condominium apartments. There will be fewer sales of homes in all sub-markets across the CMA, and prices will fall by more in some of the more expensive markets, or where there was more

Figure 3

Hamilton's Resale Home Sales to Recover



Source: CREA, CMHC forecasts

rapid price growth in recent years. For example the average prices of single-detached homes in the more expensive markets of Ancaster, Burlington and Flamborough – priced above $400,000 a year ago – fell to $398,000, $363,000 and $334,000, respectively this year. Home sales fell by more than half in all three areas, with the largest drop in sales in Burlington. The average price will fall to $208,000 in Brantford this year. Because the price drop in Brantford has been less dramatic, fewer buyers are taking advantage of the buyer market conditions.

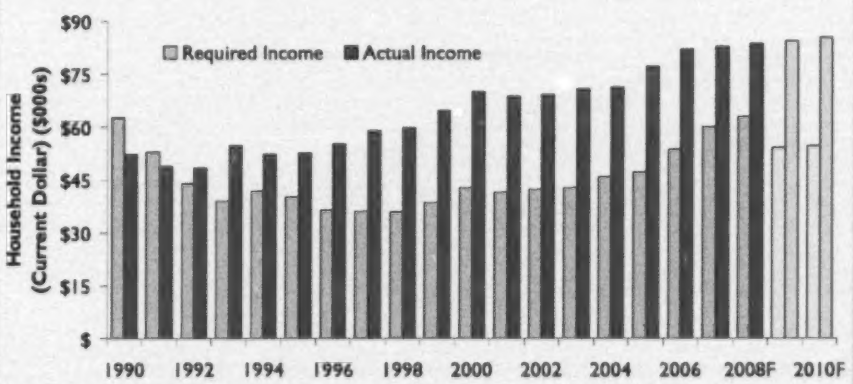
Supporting first time buying, home ownership affordability in Hamilton's resale market is better today than a year ago as a result of lower home prices and low mortgage rates. Comparing the average actual incomes of homeowners and renters and the average income required income to own a home allows an evaluation of affordability. Home owners' actual incomes exceed required incomes more than they did in 2006, indicating that affordability has increased.

Furthermore, home ownership affordability for first time buyers coming from the rental market has significantly improved, assuming that most renter households would take advantage of the variety of accessible mortgage products. The percentage by which required income exceeds the actual average income of renters is now as low as it was in 1996, just prior to the decade-long surge in housing prices. First time buyers represent approximately 15 per cent of all renter households and they will typically have higher annual incomes than most other renters. We will see improved affordability impact the market more in 2010 with economic improvement.

Average new listings will fall in 2009 by about three per cent since fewer home owners are willing to put their homes up for sale in an uncertain market. Declining economic conditions in Hamilton will result in slower home buying and selling activity. The typical seller profile will be home owners looking to take advantage of falling prices and move up into a larger home or those who have a pressing need to move out of their current homes. Average sales however will continue to fall at a faster pace than that of listings, and therefore the market will move towards the low end of the balanced market this year.

Figure 4

Hamilton Homeownership Costs Easing



Source: CMHC, Statistics Canada, CREA

Currently, price declines in every market and for every home type indicate that buyers are taking advantage of the cool market conditions and offering prices below the listed price. Only a few homes were sold at the listed price during the first quarter of 2009. Although the average price of a resale home is expected to decline by nearly five per cent this year, much of the fall in prices expected for this year will be a result of the types of homes being purchased. With more sales taking place in the lower end of the price range, the average price of an existing home will decrease to $267,000 in 2009.

Economic Trends

Rising Unemployment

Further job cuts are expected in 2009 and the unemployment rate for the year will remain at 8.7 per cent. Total employment in both the goods-producing and service-producing sectors in Hamilton has declined in recent months, leading to an unemployment rate that reached 8.7 per cent in the first quarter of 2009. In 2010, fiscal stimulus will help to improve local economic and housing market conditions.

Plant closures – both temporary and permanent – are rising and have contributed to nearly 3,000 fewer manufacturing jobs in the first quarter of 2009 as compared to a year ago. Drop in global demand for steel negatively impacted steel production in Hamilton, as well as industries which are related to steel production such as shipping and steel fabrication. Furthermore, many planned projects in the manufacturing sector have been halted. Some employees in the manufacturing sector who are eligible for retirement and may consider retiring early instead of looking for work elsewhere. Fiscal spending and infrastructure spending will boost local employment, especially in the construction industry.

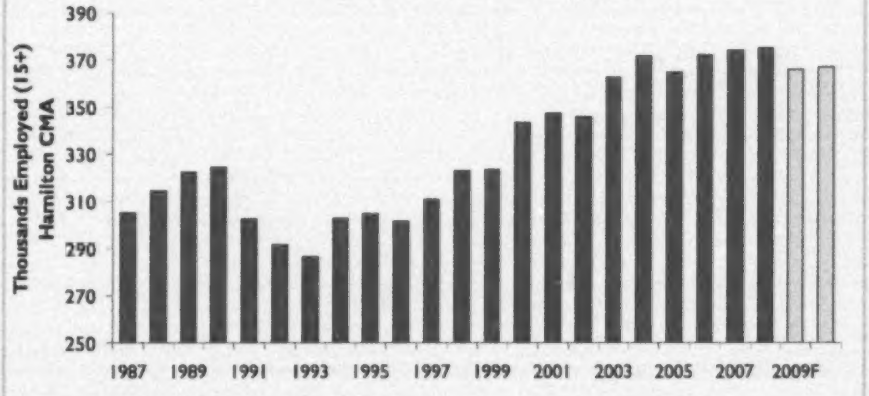
Although the overall service-producing sector has faced challenges in recent months with fewer retail sales and consumers less willing to purchase non-essential services, employment in the health care and social assistance sector rose 10 per cent last quarter. Health science is becoming increasingly vital to local economic growth.

In Brantford, employment is more heavily reliant on the manufacturing sector with over a quarter of all jobs in manufacturing. Temporary layoffs and plant closures primarily resulting from the downturn in the automotive industry continue to affect employment. The unemployment rate has reached new heights – 9.6 per cent in March – the highest unemployment rate in over a decade. However, plans for local economic growth are underway. The addition of new educational institutions and programs at the post-secondary level and new infrastructure construction projects will add a number of jobs to the local market. The forecast for the unemployment rate is 9.2 per cent for 2009 before easing slightly in 2010.

Fewer employed people in Hamilton and Brantford have resulted in fewer homes changing hands as households re-evaluate their finances. Home ownership this year will be geared towards first time buyers who have a stable job and a sufficient down payment. Many of these buyers will be interested in entry level homes such as townhouses and condominium apartments. Other households concerned about their job prospects will likely stay in their current dwellings, while some may consider options such as moving from ownership to rental or into a smaller home.

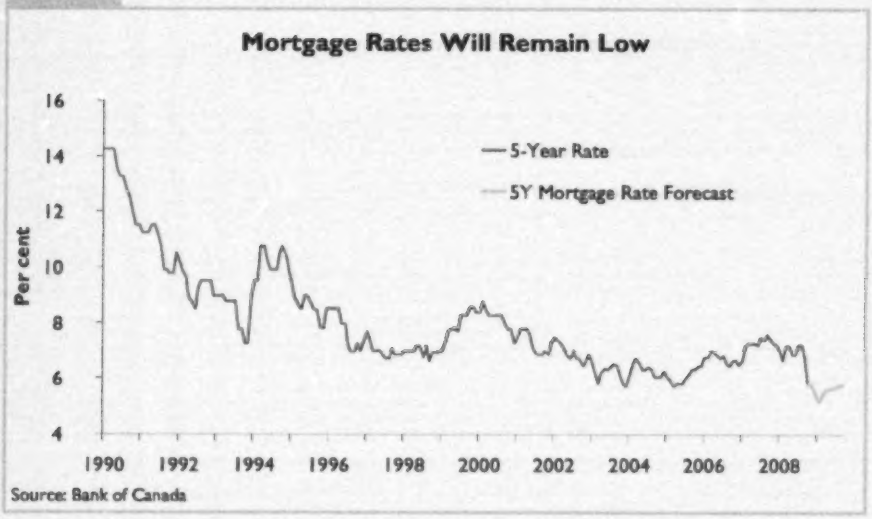
Figure 5

Employment to Decline Through 2010



Source: Statistics Canada, CMHC (forecasts)

Figure 6



Mortgage Rates

Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one-year posted mortgage rate will be in the 4.75-6.00 per cent range, while three- and five-year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Forecast SUMMARY Hamilton CMA Spring 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	13,059	13,866	12,110	9,600	-20.7	10,000	4.2
MLS® New Listings	18,414	18,988	19,711	19,200	-2.6	19,600	2.1
MLS® Average Price ($)	248,754	268,857	280,790	267,000	-4.9	258,000	-3.4
New Home Market							
Starts:							
Single-Detached	1,741	1,761	1,675	1,050	-37.3	1,175	11.9
Multiples	1,302	1,243	1,854	1,445	-22.1	1,475	2.1
Semi-Detached	138	94	132	45	-65.9	50	11.1
Row/Townhouse	948	922	1,224	975	-20.3	1,000	2.6
Apartments	216	227	498	425	-14.7	425	0.0
Starts - Total	3,043	3,004	3,529	2,495	-29.3	2,650	6.2
Average Price ($):							
Single-Detached	392,305	365,357	404,532	400,000	-1.1	422,000	5.5
New Housing Price Index (% chg.)	5.5	4.5	3.1	-3.8	-	-2.0	-
Rental Market							
October Vacancy Rate (%)	4.3	3.5	3.2	2.9	-0.3	3.0	0.1
Two-bedroom Average Rent (October) ($)	796	824	836	850	-	865	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.90	5.29	0.49
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.42	5.94	0.30
Annual Employment Level	371,900	374,000	375,000	366,000	-2.4	366,500	0.1
Employment Growth (%)	1.8	0.6	0.1	-2.4	-	0.1	-
Unemployment rate (%)	5.9	6.0	6.2	8.7	-	8.8	-
Net Migration [1]	98,768	68,759	78,217	85,500	9.3	91,900 **	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

Forecast SUMMARY Brantford CMA Spring 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,139	2,305	2,097	1,500	-28.5	1,575	5.0
MLS® New Listings	3,287	3,451	3,668	3,600	-1.9	3,675	2.1
MLS® Average Price ($)	198,716	209,151	218,890	208,000	-5.0	205,000	-1.4
New Home Market							
Starts:							
Single-Detached	357	466	283	275	-2.8	275	0.0
Multiples	52	123	149	85	-43.0	105	23.5
Semi-Detached	2	16	4	5	25.0	5	0.0
Row/Townhouse	47	107	116	65	-44.0	80	23.1
Apartments	3	0	29	15	-48.3	20	33.3
Starts - Total	409	589	432	360	-16.7	380	5.6
Average Price ($):							
Single-Detached	190,810	222,900	253,849	240,000	-5.5	252,000	5.0
New Housing Price Index (% chg.) (Ont.)	3.7	2.6	3.5	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.3	2.9	2.4	2.2	-0.2	2.2	0.0
Two-bedroom Average Rent (October) ($)	712	749	752	760	-	770	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-1.90	5.29	0.49
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-1.42	5.94	0.30
Annual Employment Level	50,600	51,100	51,800	50,600	-2.3	50,000	-1.2
Employment Growth (%)	2.0	1.0	1.4	-2.3	-	-1.2	-
Unemployment rate (%)	6.3	6.2	6.3	9.2	-	9.1	-
Net Migration (Ont.) [1]	83,561	85,809	87,805	88,600	0.9	95,000	7.2

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
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